

PUBLIC DISCLOSURE

October 21, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Clear Lake Bank and Trust Company
RSSD# 865544

322 Main Avenue
Clear Lake, Iowa, 50428

Federal Reserve Bank of Chicago

230 South LaSalle Street
Chicago, Illinois 60604-1413

NOTE: This document is an evaluation of this bank's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the bank. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this bank. The rating assigned to this bank does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial bank.

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BANK'S CRA RATING

Clear Lake Bank and Trust Company is rated: Satisfactory

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

Clear Lake Bank and Trust Company has a satisfactory record of meeting the credit needs of its assessment area in a manner consistent with its resources and operating philosophy. The loan-to-deposit (LTD) ratio is reasonable when compared to the ratios of similarly situated institutions. A majority of the bank's loans are originated within the bank's assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the bank's assessment area. In addition the bank's lending activity exhibits reasonable penetration of loans among borrowers of different income levels and to businesses of different revenues sizes. Neither Clear Lake Bank and Trust Company nor this Reserve Bank have received any CRA-related complaints since the previous Community Reinvestment Act (CRA) evaluation.

Clear Lake Bank and Trust Company's community development performance demonstrates adequate responsiveness to the needs of its assessment area through community development loans, qualified investments, and community development services. This performance is appropriate considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment area.

SCOPE OF EXAMINATION

The bank's CRA performance was evaluated using the Federal Financial Institutions Examination Council's (FFIEC) *Interagency Examination Procedures for Intermediate Small Banks*, which assigns an overall rating based on an assessment of the bank's performance under two equally weighted tests: the lending test and the community development test. The CRA performance was evaluated in the context of information about the institution and its assessment area including asset size, financial condition, competition and economic and demographic characteristics.

For the lending test, the evaluation focused on the most prevalent lending products by number consisting of small business and consumer loans originated in 2018. These product were considered the bank's major product lines through discussions with bank management, a review of the June 30, 2019 Reports of Condition and Income (Call Report), and a review of the number of outstanding loan originations since the previous CRA evaluation. Both products were weighted equally in the analysis.

Performance in the assessment area was evaluated using the intermediate-small bank examination procedures based on the following performance criteria:

- ***Loan-to-Deposit Ratio*** – A 16-quarter average loan-to-deposit ratio was calculated for the bank and compared to a sample of local competitors.
- ***Lending in the Assessment Area*** – The bank’s consumer loans and small business loans originated from January 1, 2018 through December 31, 2018 were reviewed to determine the percentage of loans originated within the assessment area.
- ***Geographic Distribution of Lending in the Assessment Area*** – The bank’s consumer loans and small business loans originated within the assessment area, from January 1, 2018 through December 31, 2018, were analyzed to determine the extent to which the bank is making loans in geographies of different income levels, particularly those designated as low- and moderate-income.
- ***Lending to Borrowers of Different Income and to Businesses of Different Sizes*** – The bank’s consumer loans and small business loans originated within the assessment area, from January 1, 2018 through December 31, 2018 were reviewed to determine the distribution among borrowers of different income levels, particularly those considered low- or moderate-income, and to businesses with different revenue sizes.
- ***Response to Substantiated Complaints*** – Complaints were reviewed to determine if any were related to the bank’s record of helping to meet community credit needs and its responses to any received were evaluated for appropriateness.
- ***Community Development Activities*** – The bank’s responsiveness to community development needs through community development loans, qualified investments, and community development services, from August 25, 2015 through October 21, 2019 were reviewed considering the capacity, need, and availability of such opportunities within the assessment area.

In addition, two interviews with community representatives were conducted, to provide information regarding local economic and socio-economic conditions in the assessment area. Contacts represented organizations involved with economic development and affordable housing.

DESCRIPTION OF INSTITUTION

Clear Lake Bank and Trust Company is a subsidiary of Arneson Bancshares, Inc., a one-bank holding company located in Clear Lake, Iowa. Clear Lake Bank and Trust Company, Clear Lake, Iowa, is located in north central Iowa, approximately 120 miles north of Des Moines, Iowa. The branch network consists of three full-service branch offices throughout the assessment area. The bank operates five full-service automated teller machines (ATMs) and two cash-only ATMs. With the exception of a closure of a cash-only ATM at a Mason City community college, no branches or ATMs have been opened or closed since the previous evaluation, and no significant structural

changes such as mergers, acquisitions, or divestitures have occurred.

In addition, the bank maintains a website (www.clearlakebank.bank) that provides information on loan and deposit products, applications, other bank services, and access to online banking. Online and mobile banking allow customers to view account balances, view check images, transfer funds, make bill and loan payments, and locate branches and ATMs.

According to the Uniform Bank Performance Report (UBPR), as of June 30, 2019, the bank reported total assets of \$442.5 million. The bank offers traditional residential real estate, commercial, consumer, and agricultural loan products in addition to traditional deposit accounts such as checking, savings, money market deposit accounts and certificates of deposit.

The following table presents the bank's loan portfolio composition as of June 30, 2019.

Composition of Loan Portfolio as of June 30, 2019		
(\$ are in 000s)		
Type	\$	%
Residential RE	84,561	24.3
Commercial	189,632	54.5
Agriculture	50,513	14.5
Consumer	18,051	5.2
Other	4,947	1.4
Total Loans	347,704	100.0
<i>Note: Percentage may not total 100.0 percent due to rounding.</i>		

There are no known legal, financial or other factors impeding the bank's ability to help meet the credit needs in its communities.

The bank was rated satisfactory under the CRA at its previous evaluation conducted on August 24, 2015.

DESCRIPTION OF ASSESSMENT AREA

The bank's Non-MSA Iowa assessment area is comprised of two, nonmetropolitan counties in north central Iowa, Cerro Gordo and Hancock County in their entireties. The Non-MSA Iowa assessment area is comprised of one moderate-, 12 middle- and two upper-income census tracts. The assessment area contains no majority-minority census tracts and no middle-income census tracts are classified as distressed or underserved by the Federal Financial Institutions Examination Council. Furthermore, the assessment area remains unchanged from the previous evaluation.

The bank's main office is located in Clear Lake, Iowa. The bank also operates two branches in Mason City, Iowa, and one branch in Garner, Iowa. The bank operates ATMs at each branch in addition to three stand-alone cash ATMs; two cash only ATMs are located in two Clear Lake grocery stores and one full service ATM located in a Clear Lake convenience store.

The June 30, 2018 Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report ranked Clear Lake Bank and Trust Company second of 12 FDIC-insured depository institutions operating in the bank's assessment area. The bank has a strong presence in the market with 22.6 percent of the market's deposits, trailing only First Citizen's Bank of Mason City, which maintains approximately 29.0 percent of the market. Wells Fargo Bank, NA and Reliance State Bank have the third and fourth largest market shares in the assessment area at 10.0 and 6.4 percent, respectively.

As shown in the table below, there have been changes in the census tract income level designations since the prior evaluation.

The median family income levels (MFI) for census tracts are calculated using the income data from the United States Census Bureau's American Community Survey and geographic definitions from the Office of Management and Budget (OMB) and are updated approximately every five years (.12(m) Income Level). The income data used to calculate geographic income designations changed between 2016 and 2017. Lending activity performed in 2017 and later are evaluated based on ACS income level definitions from the five-year survey data set 2011-2015.

Census Tract Designation Changes American Community Survey Data (ACS)			
Tract Income Designation	2016 Designations (#)	2017 Designations (#)	Net Change (#)
Low	0	0	0
Moderate	0	1	+1
Middle	12	12	0
Upper	3	2	-1
Unknown	0	0	0
Total	15	15	0
Source: U. S. Census Bureau: Decennial Census: American Community Survey Data: 2006-2010 U.S. Census Bureau: Decennial Census: America Community Survey Data: 2011-2015			

Demographic information regarding the assessment area is provided in the following table.

Assessment Area: 2018 IA Non MSA									
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income		
	#	%	#	%	#	%	#	%	
Low-income	0	0.0	0	0.0	0	0.0	2,726	18.3	
Moderate-income	1	6.7	1,126	7.5	162	14.4	2,838	19.0	
Middle-income	12	80.0	12,191	81.7	1,095	9.0	3,503	23.5	
Upper-income	2	13.3	1,597	10.7	21	1.3	5,847	39.2	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	15	100.0	14,914	100.0	1,278	8.6	14,914	100.0	
	Housing Units by Tract	Housing Types by Tract							
		Owner-Occupied			Rental		Vacant		
		#	%	%	#	%	#	%	
Low-income	0	0	0.0	0.0	0	0.0	0	0.0	
Moderate-income	2,463	1,148	6.5	46.6	1,171	47.5	144	5.8	
Middle-income	21,986	14,721	83.6	67.0	4,895	22.3	2,370	10.8	
Upper-income	3,054	1,742	9.9	57.0	515	16.9	797	26.1	
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0	
Total Assessment Area	27,503	17,611	100.0	64.0	6,581	23.9	3,311	12.0	
	Total Businesses by Tract	Businesses by Tract & Revenue Size							
		Less Than or = \$1 Million			Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0	
Moderate-income	360	12.0	313	11.6	43	17.1	4	7.8	
Middle-income	2,424	80.9	2,178	80.9	202	80.2	44	86.3	
Upper-income	211	7.0	201	7.5	7	2.8	3	5.9	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	2,995	100.0	2,692	100.0	252	100.0	51	100.0	
	Percentage of Total Businesses:			89.9		8.4		1.7	
	Total Farms by Tract	Farms by Tract & Revenue Size							
		Less Than or = \$1 Million			Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0	
Moderate-income	6	1.2	6	1.3	0	0.0	0	0.0	
Middle-income	421	87.3	418	87.3	3	100.0	0	0.0	
Upper-income	55	11.4	55	11.5	0	0.0	0	0.0	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	482	100.0	479	100.0	3	100.0	0	0.0	
	Percentage of Total Farms:			99.4		0.6		0.0	
2018 FFIEC Census Data & 2018 Dun & Bradstreet information according to 2015 ACS									
Note: Percentages may not add to 100.0 percent due to rounding									

The following presentation of key demographics used to help inform the evaluation of bank activity in its assessment area is based on a comparison of two sets of ACS data, 2006-2010 and 2011-2015.

Population Characteristics

The table below shows the population trends for the bank's assessment area, Cerro Gordo and Hancock Counties, which comprise the Non-MSA Iowa assessment area, and the state of Iowa from 2010 to 2015. According to the 2015 U.S. Census Bureau demographic data, the assessment area's population was 54,573 with a 1.7 percent decline from 2010. During the same time period, both counties in the assessment area experienced a population decline, while the state of Iowa experienced a 1.6 percent increase. A community representative noted the population decline is a result of younger adults leaving the more rural areas, for more urban populated areas such as Des Moines or Minneapolis.

Population Change			
Area	2010 Population	2015 Population	Percent Change (%)
Assessment Area	55,492	54,573	-1.7
Cerro Gordo County	44,151	43,481	-1.5
Hancock County	11,341	11,092	-2.2
State of Iowa	3,046,355	3,093,526	1.6
Source: U.S. Census Bureau: Decennial Census American Community Survey Data: 2006-2010 U.S. Census Bureau: American Community Survey Data: 2011-2015			

Income Characteristics

According to the 2018 FFIEC Census data, the assessment area is comprised of 14,914 families, of which 18.3 percent were designated as low-income, and 19.0 percent were moderate-income. 8.6 percent of families residing within the assessment area live below the poverty line, which is slightly above the state of Iowa poverty rate at 8.1 percent.

The table below compares the median family income for Cerro Gordo and Hancock Counties which comprise the bank's assessment area, to the State of Iowa. According to the 2011-2015 Census Bureau data, median family income (MFI) in both Cerro Gordo and Hancock County remains below that of the State of Iowa MFI of \$67,466; however, Hancock County experienced a much more significant increase, at 15.2 percent, than both Cerro Gordo County and the State of Iowa at 5.4 percent and 9.2 percent, respectively.

Median Family Income Change 2006-2010 and 2011-2015			
Area	2010 Median Family Income (In 2010 Dollars)	2011-2015 Median Family Income (In 2015 Dollars)	Percentage Change (%)
Cerro Gordo County	60,148	63,408	5.4
Hancock County	55,922	64,403	15.2
State of Iowa	61,804	67,466	9.2
Source: U.S. Census Bureau: Decennial Census American Community Survey Data: 2006-2010 U.S. Census Bureau: American Community Survey Data: 2011-2015			

Housing Characteristics and Affordability

The table below presents recent trends in housing costs within the assessment area and the State of Iowa. Within the assessment area, there are a total of 27,503 housing units. Owner-occupied units represent 64.0 percent of the total housing units in the assessment area, while rental units represent 23.9 percent. 12.0 percent of housing units are reported as vacant, which is slightly higher than the State of Iowa vacancy rate at 8.7 percent.

According to the 2011-2015 American Community Survey, the assessment area median housing value of \$110,870 remains significantly below that of the State of Iowa at \$129,200; even though, both Cerro Gordo and Hancock Counties have experienced increases in their median housing values of 6.7 percent and 12.8 percent, respectfully. Median gross rent values in the assessment area also experienced an increase between 2010 and 2015, with a 9.2 percent increase in Cerro Gordo County and a 10.2 percent increase in Hancock; however, their growth percentages remain below the growth in the State of Iowa's median gross rent at 13.0 percent.

A common method to compare affordability of housing across geographic areas is the affordability ratio, which is defined in Appendix D. A higher ratio supports more affordable housing opportunities. Based on the 2011-2015 American Community Survey data, the affordability ratio for the assessment area of 42.7 percent is comparable to the State of Iowa at 41.2 percent, however Hancock County has an affordability ratio 57.8 percent, indicating that it is more affordable to live in Hancock County than Cerro Gordo County in addition to other areas within the State of Iowa.

Housing Costs Change				
Location	2010 Median Housing Value (\$)	2015 Median Housing Value (\$)	2010 Median Gross Rent (\$)	2015 Median Gross Rent (\$)
Cerro Gordo County	107,900	115,200	565	617
Hancock County	81,200	91,600	500	551
State of Iowa	119,200	129,200	617	697
Source: 2006-2010 — U.S. Census Bureau: American Community Survey 2011-2015 — U.S. Census Bureau: American Community Survey				

Foreclosure Trends

The Federal Reserve Bank of Chicago conducted a study on changes in foreclosure inventory rates at the county level. The foreclosure inventory rate measures the number of residential properties in some phase of foreclosure. Overall, foreclosure inventory rates in the state and assessment area have declined since the previous evaluation, indicating that the housing crisis that affected much of the nation, including the assessment area, has abated. As of July 2018, the state of Iowa's foreclosure inventory rate was 0.7 percent, which is comparable to the foreclosure inventory rate of both Cerro Gordo County and Hancock County at 0.9 percent and 0.8 percent, respectively.

Employment Conditions

The following table presents the unemployment trends in Cerro Gordo County and Hancock County as well as the State of Iowa from 2013 to 2016. Both counties experienced declining unemployment rates from 2013 to 2016, which is directly aligned with unemployment trends in the State of Iowa. As of 2016, the unemployment rate was 3.7 percent for Cerro Gordo County, 2.7 percent for Hancock County and 3.7 percent for the State of Iowa. A community representative noted that there is a shortage of workers in the assessment area. The local workforce is aging and not being replenished. According to a community contact local businesses are expanding and creating jobs which is contributing to the declining unemployment rates.

Unemployment Rates (%)				
Region	2013	2014	2015	2016
Cerro Gordo County	5.2	4.8	4.0	3.7
Hancock County	4.1	3.4	2.8	2.7
State of Iowa	4.6	4.4	3.8	3.7

Source: Bureau of Labor Statistics; Local Area Unemployment Statistics

Industry Characteristics

The following table presents the largest employers operating in the assessment area. The information indicates the assessment area is heavily impacted by Mercy Medical Center, but also maintains a diverse employment base.

Largest Employers in the Assessment Area		
Company	Number of Employees	Industry
Mercy Medical Ctr – North Iowa	1,886	Hospitals
Assa Abloy Door Security Sltns	1,500	Doors – Manufacturers
Curries	1,200	Metal Doors Sash Frames & Trim (Manufacturers)
Principal Financial Group	500	Financial Planning Consultants
Walmart Supercenter	400	Department Stores
Iowa Mold Tooling Co Inc	400	Truck – Manufacturers
Rajinder K Verma MD – Neurology	300	Physicians – Surgeons
Good Shepherd Geriatric Center	285	Health Services
Clear Lake School Districts	275	School Districts
CDI LLC	256	Automobile Body – Repairing & Painting

Source: Business information provided by Infogroup®, Omaha, NE

Community Representatives

Two interviews with community representatives were utilized to gain a perspective of the area needs, specifically areas of economic development and the socio-economic needs of low- and moderate-income families. The representatives noted the two major concerns within the assessment area are a shortage of workers and affordable housing. The affordability in Hancock County is very favorable, however the community contact stated, young adults are leaving the area for more urban areas that have more to offer. However, there are opportunities exist for local

institutions to be involved with affordable housing initiatives and supporting new businesses within the community, to which institutions are receptive.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

Clear Lake Bank and Trust Company's performance relative to the lending test is rated Satisfactory. The bank's loan-to-deposit ratio is reasonable given the bank's size, financial condition and assessment area credit needs. A majority of loans are located in the bank's assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. In addition, loan distribution reflects reasonable penetration among individuals of different incomes levels, including low- and moderate-income, and businesses of different sizes.

Loan-to-Deposit Ratio

Clear Lake Bank and Trust Company's LTD ratio was calculated on a 16-quarter average from September 30, 2015 through June 30, 2019. The bank's average LTD ratio is compared to the ratios of seven similarly situated institutions, either identified from the bank as local competitors, or identified given similar asset size, or portfolio composition. The bank's LTD ratio of 88.0 percent is reasonable, given the bank's size, financial condition, and assessment area credit needs. In addition, the bank outperformed four of the seven comparable institutions.

The following table compares the bank's average LTD ratio for 16 quarters since the previous evaluation dated August 24, 2015. The table also provides the ratios of the seven comparable institutions used in the evaluation.

Comparative Loan-to-Deposit Ratios	
Institution	Loan-to-Deposit Ratio (%)
	16 – Quarter Average
Clear Lake Bank and Trust Company	88.0
Comparable Institutions	
Farmers Trust & Savings Bank	90.8
First Citizen's Bank	78.6
First Security Bank & Trust Company	104.4
Home Trust & Savings Bank	75.1
Iowa State Bank	90.9
Manufacturers Bank & Trust Company	87.5
NSB Bk	86.9

Assessment Area Concentration

The following table is a representative sample of lending inside and outside the bank's assessment

area from January 1, 2018 through December 31, 2018 for small business and consumer loans. Overall, a majority of loans were originated in the assessment area. Specifically, the bank originated 80.7 percent by number volume and 76.8 percent by dollar volume with the assessment area during the evaluation period. Further, of the 126 small business loans, 99 or 78.6 percent, were originated within the assessment area. Additionally, of the 175 consumer loans sampled, 144 or 82.3 percent, were located within the assessment area; the percentage of small business and consumer loan originations within the assessment indicates that the bank is serving the credit needs of the area.

Lending Inside and Outside the Assessment Area								
Loan Type	Inside				Outside			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Small Business	99	78.6	\$13,343	76.6	27	21.4	\$4,075	23.4
Consumer	144	82.3	\$1,325	79.4	31	17.7	\$344	20.6
TOTAL LOANS	243	80.7	14,667	76.8	58	19.3	4,419	23.2
<i>Note: Percentages may not add to 100.0 percent due to rounding.</i>								

Geographic Distribution of Loans

This performance criterion evaluates the bank's dispersion of loans among geographies of different income levels, primarily focusing on performance in the moderate-income census tracts as the bank's assessment area does not contain any low-income census tracts. A gap analysis was completed as part of the evaluation, and based upon this analysis, there were no conspicuous unexplained lending gaps in the assessment area.

The geographic distribution of small business and consumer loans reflects reasonable dispersion throughout the assessment area, including the moderate-income census tract.

Small Business

The bank's geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. As noted in the table below, the bank's performance in the moderate-income census tract, at 9.1 percent by number volume, is comparable to the total businesses in the moderate-income census tract at 12.0 percent. In comparison, lending in the middle-income census tracts at 77.8 percent by number volume, is comparable to the demographic figure of 80.9 percent. While lending to the upper-income tracts exceeded the percentages of total businesses at 7.0 percent.

Geographic Distribution of Small Business Loans						
Assessment Area: 2018 IA Non MSA						
Tract Income Levels		Bank & Demographic Comparison				
		2018				Total Businesses
		Count Bank		Dollar Bank		
		#	%	\$ 000s	\$ %	%
Small Business	Low	0	0.0	0	0.0	0.0
	Moderate	9	9.1	2,322	17.4	12.0
	Middle	77	77.8	10,409	78.0	80.9
	Upper	13	13.1	612	4.6	7.0
	Unknown	0	0.0	0	0.0	0.0
	Total	99	100.0	13,343	100.0	100.0
2018 FFIEC Census Data & 2018 Dun & Bradstreet information according to 2015 ACS						
Note: Percentages may not add to 100.0 percent due to rounding						

Consumer Loans

The bank's geographic distribution of consumer loans reflects reasonable dispersion throughout the assessment area. As noted in the table below, the bank's performance in the moderate-income census tract, at 7.6 percent by number volume, is comparable to the total households in the moderate-income census tract at 9.6 percent. Lending in the middle-income census tracts at 81.9 percent by number volume, is comparable to the demographic figure of 81.1 percent. Additionally, lending to the upper-income tracts (10.4 percent) is comparable to the percentages of total households of 9.3 percent, located in the upper-income census tracts.

Geographic Distribution of Consumer Loans						
Assessment Area: 2018 IA Non MSA						
Tract Income Levels		Bank & Demographic Comparison				Households
		2018				
		Count Bank		Dollar Bank		
		#	%	\$ (000s)	\$ %	%
Totals	Low	0	0.0	0	0.0	0.0
	Moderate	11	7.6	111	8.4	9.6
	Middle	118	81.9	998	75.3	81.1
	Upper	15	10.4	216	16.3	9.3
	Unknown	0	0.0	0	0.0	0.0
	Total	144	100.0	1,325	100.0	100.0
2018 FFIEC Census Data						
Note: Percentages may not add to 100.0 percent due to rounding						

Lending to Borrowers of Different Income Levels and to Businesses of Different Sizes

This performance criterion evaluates the bank's distribution of lending to borrowers of different income levels, focusing primarily on lending to individuals of low- and moderate-income, and lending to businesses of different annual revenues, particularly entities with annual gross revenues of \$1 million or less. Overall the borrower distribution reflects reasonable penetration among individuals of different income levels, including low- and moderate-income, and businesses of different sizes.

Small Business Loans

The distribution of small business loans reflects reasonable penetration among businesses of different sizes. Although, the bank's percentage of lending to businesses with annual revenues of \$1 million or less, is below the demographic figure, the bank originated 82.2 percent of its small business loans in amounts of \$100,000 or less. Loans in these amounts are considered to be the most beneficial to small businesses, indicating the bank's willingness to meet the credit needs of small businesses.

The following table presents the borrower distribution of small business loans in 2018.

Small Business Lending By Revenue & Loan Size							
Assessment Area: 2018 IA Non MSA							
Product Type		Bank & Demographic Comparison					
		2018				Total Businesses %	
		Count Bank		Dollar Bank			
		#	%	\$ 000s	\$ %		
Small Business	Revenue	\$1 Million or Less	73	73.7	6,476	48.5	89.9
		Over \$1 Million or Unknown	26	26.3	6,867	51.5	10.1
		Total	99	100.0	13,343	100.0	100.0
	Loan Size	\$100,000 or Less	70	70.7	2,995	22.4	
		\$100,001 - \$250,000	14	14.1	2,384	17.9	
		\$250,001 - \$1 Million	15	15.2	7,964	59.7	
		Total	99	100.0	13,343	100.0	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	60	82.2	2,539	39.2	
		\$100,001 - \$250,000	8	11.0	1,308	20.2	
		\$250,001 - \$1 Million	5	6.8	2,629	40.6	
		Total	73	100.0	6,476	100.0	
Originations & Purchases							
2018 FFIEC Census Data & 2018 Dun & Bradstreet information according to 2015 ACS							
Note: Percentages may not add to 100.0 percent due to rounding							

Consumer Loans

The bank's performance of lending to borrowers of different incomes is reasonable. As noted in the table below, the bank's distribution of loans to low income borrowers at 22.2 percent by number volume is comparable to demographic figure of 24.3 percent. The bank's distribution of loans to moderate-income borrowers at 34.0 percent by number volume significantly exceeds the demographic figure of 17.1 percent. Lending to borrowers of middle-income is above the demographic figure, while the bank's lending to the upper income borrowers by number volume falls well below that demographic figure.

Borrower Distribution of Consumer Loans						
Assessment Area: 2018 IA Non MSA						
	Borrower Income Levels	Bank & Demographic Comparison 2018				Households by Household Income
		Count		Dollar		Income
		#	%	\$ (000s)	\$ %	%
Totals	Low	32	22.2	167	12.6	24.3
	Moderate	49	34.0	411	31.0	17.1
	Middle	37	25.7	421	31.8	18.8
	Upper	19	13.2	259	19.6	39.9
	Unknown	7	4.9	66	5.0	
	Total	144	100.0	1,324	100.0	100.0
2018 FFIEC Census Data						
Note: Percentages may not add to 100.0 percent due to rounding						

Response to Complaints

The bank or this Reserve Bank has not received any CRA-related complaints since the previous examination.

COMMUNITY DEVELOPMENT TEST

The bank's performance relative to the community development test is Satisfactory. The bank demonstrates adequate responsiveness to community development needs of its assessment area through community development loans, investments, and services, as appropriate, considering the bank's capacity, and the need and availability of such opportunities in the bank's assessment area.

Lending

During the evaluation period the bank originated a total of 75 community development loans totaling \$7.8 million dollars. The bank originated 74 affordable housing loans for a total of approximately \$5.0 million, and one community service loan totaling \$2.8 million dollars. Noteworthy are the bank's loans to provide affordable housing, which was identified by a community representative as a need for the assessment area.

Investments

The bank did not make any qualified community development investments in the assessment area during the review period. The bank did however, make 98 qualifying donations totaling \$136,771. The bank made six qualified donations to affordable housing organizations totaling \$2,454, nine donations totaling \$59,760 to organizations with an economic development purpose, and 83 qualifying donations totaling \$74,556 to organizations with a primary purpose of providing services to low- and moderate-income individuals. As mentioned previously, affordable housing is a need in the community, in addition to the quality of workforce. The bank's commitment of dollars to organizations that serve these needs, shows the bank's commitment to the assessment area. Lastly, this is a significant increase in both number and dollar amount from the previous evaluation, in which the bank made three donations, totaling \$6,300.

Services

During the evaluation period, bank staff provided approximately 450 hours of community development services to 15 different organizations. The majority of the organizations have a primary focus of affordable housing, community service, and economic development. The majority of service hours involved bank staff serving as board members providing financial expertise for non-profit organizations, in addition to serving on boards that aim to provide individuals with affordable housing. In addition, a significant amount of service hours were spent teaching financial literacy to low- and moderate- income students. These activities show dedication to improving the area's financial education, economic development and affordable housing.

Summary of CD Activities, Review Period (August 25, 2015 – October 21, 2019)										
Type of Activity	Affordable Housing		Economic Development		Activities that Revitalize/Stabilize		Community Services		Totals	
	#	\$/Hours	#	\$/Hours	#	\$/Hours	#	\$/Hours	#	\$/Hours
Lending	74	\$4,977,720	-	-	-	-	1	\$2,850,000	75	\$7,827,720
Investments/ Donations	6	\$2,454	9	\$59,760	-	-	83	\$74,556	98	\$136,771
Services	3	15.5	2	7	-	-	56	389.25	65	449.75

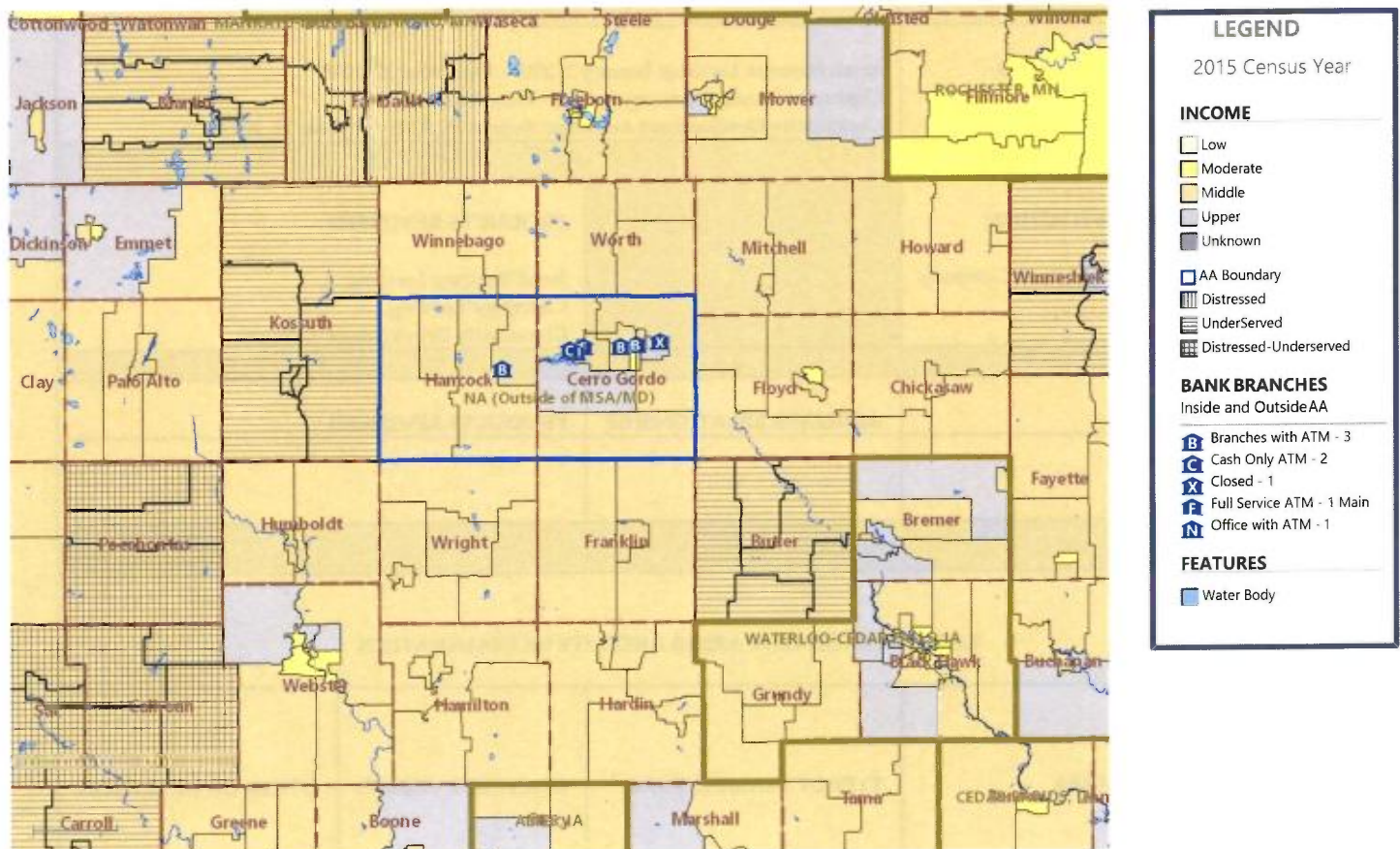
FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

APPENDIX A – Map of Assessment Area

Clear Lake Bank and Trust Company 865544

IA Non MSA



APPENDIX B – Scope of Examination

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED	Small Business Lending: January 1, 2018 – December 31, 2018 Consumer Lending: January 1, 2018 – December 31, 2018 Community Development Activities: August 25, 2015 – October 21, 2019		
FINANCIAL INSTITUTION		PRODUCTS REVIEWED	
Clear Lake Bank and Trust Company		Small Business Lending Consumer Lending Community Development Activities	
AFFILIATE(S)	AFFILIATE RELATIONSHIP	PRODUCTS REVIEWED	
None			
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Non – MSA Iowa	Full Scope Review	None	N/A

APPENDIX C – Glossary

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Affordability ratio: To determine housing affordability, the affordability ratio is calculated by dividing median household income by median housing value. This ratio allows the comparison of housing affordability across assessment areas and/or communities. An area with a high ratio generally has more affordable housing than an area with a low ratio.

Aggregate lending: The number of loans originated and purchased by all lenders subject to reporting requirements as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

American Community Survey Data (ACS): The American Community Survey (ACS) data is based on a nationwide survey designed to provide local communities with reliable and timely demographic, social, economic, and housing data each year. The Census Bureau first released data for geographies of all sizes in 2010. This data is known as the “five-year estimate data.” The five-year estimate data is used by the FFIEC as the base file for data used in conjunction with consumer compliance and CRA examinations.¹

Area Median Income (AMI): AMI means –

1. The median family income for the MSA, if a person or geography is located in an MSA, or for the metropolitan division, if a person or geography is located in an MSA that has been subdivided into metropolitan divisions; or
2. The statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment area: Assessment area means a geographic area delineated in accordance with section 228.41

Automated teller machine (ATM): An automated teller machine means an automated, unstaffed banking facility owned or operated by, or operated exclusively for, the bank at which deposits are received, cash dispersed or money lent.

Bank: Bank means a state member as that term is defined in section 3(d)(2) of the Federal Deposit Insurance Act (12 USC 1813(d)(2)), except as provided in section 228.11(c)(3), and includes an

¹ Source: FFIEC press release dated October 19, 2011.

uninsured state branch (other than a limited branch) of a foreign bank described in section 228.11(c)(2).

Branch: Branch refers to a staffed banking facility approved as a branch, whether shared or unshared, including, for example, a mini-branch in a grocery store or a branch operated in conjunction with any other local business or nonprofit organization.

Census tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Combined Statistical Area (CSAs): Adjacent metropolitan statistical areas/metropolitan divisions (MSA/MDs) and micropolitan statistical areas may be combined into larger Combined Statistical Areas based on social and economic ties as well as commuting patterns. The ties used as the basis for CSAs are not as strong as the ties used to support MSA/MD and micropolitan statistical area designations; however, they do bind the larger area together and may be particularly useful for regional planning authorities and the private sector. Under Regulation BB, assessment areas may be presented under a Combined Statistical Area heading; however, all analysis is conducted on the basis of median income figures for MSA/MDs and the applicable state-wide non metropolitan median income figure.

Community Development: The financial supervisory agencies have adopted the following definition for community development:

1. Affordable housing, including for multi-family housing, for low- and moderate-income households;
2. Community services tailored to meet the needs of low- and moderate-income individuals;
3. Activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or
4. Activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definitions of community development. Activities that revitalize or stabilize:

- 1) Low- or moderate-income geographies;
- 2) Designated disaster areas; or
- 3) Distressed or underserved nonmetropolitan middle-income geographies

designated by the Board, Federal Deposit Insurance Corporation and Office of the Comptroller of the Currency based on:

- a. Rates of poverty, unemployment or population loss; or
- b. Population size, density and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density and dispersion if they help to meet essential community services including the needs of low- and moderate-income individuals.

Community Development Loan: A community development loan means a loan that:

- 1) Has as its primary purpose community development; and
- 2) Except in the case of a wholesale or limited purpose bank –
 - a. Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment as a home mortgage, small business, small farm, or consumer loan, unless it is a multi-family housing loan (as described in the regulation implementing the Home Mortgage Disclosure Act); and
 - b. Benefits the bank's assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s).

Community Development Service: A community development service means a service that:

- 1) Has as its primary purpose community development; and
- 2) Is related to the provision of financial services.

Consumer loan: A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories of loans: motor vehicle, credit card, other consumer secured loan, including a home improvement loan not secured by a dwelling, and other consumer unsecured loan, including a loan for home improvement not secured.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married couple family or other family, which is further classified into "male householder" (a family with a male household and no wife present) or "female householder" (a family with a female householder and no husband present).

Fair market rent: Fair market rents (FMRs) are gross rent estimates. They include the shelter rent plus the cost of all tenant-paid utilities, except telephones, cable or satellite television service, and internet service. HUD sets FMRs to assure that a sufficient supply of rental housing is available to their program participants. To accomplish this objective, FMRs must be both high enough to

permit a selection of units and neighborhoods and low enough to serve as many low-income families as possible. The level at which FMRs are set is expressed as a percentile point within the rent distribution of standard-quality rental housing units. The current definition used is the 40th percentile rent, the dollar amount below which 40 percent of the standard-quality rental housing units are rented. The 40th percentile rent is drawn from the distribution of rents of all units occupied by recent movers (renter households who moved to their present residence within the past 15 months). HUD is required to ensure that FMRs exclude non-market rental housing in their computation. Therefore, HUD excludes all units falling below a specified rent level determined from public housing rents in HUD's program databases as likely to be either assisted housing or otherwise at a below-market rent, and units less than two years old.

Full review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and amount of qualified investments) and qualitative factors (for example, innovativeness, complexity and responsiveness).

Geography: A census tract delineated by the U.S. Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act: The statute that requires certain mortgage lenders that do business or have banking offices in metropolitan statistical areas to file annual summary reports of their mortgage lending activity. The reports include data such as the race, gender and income of the applicant(s) and the disposition of the application(s) (for example, approved, denied, and withdrawn).

Home mortgage loans: Are defined in conformance with the definitions of home mortgage activity under the Home Mortgage Disclosure Act and include closed end mortgage loans secured by a dwelling and open-end lines of credit secured by a dwelling. This includes loans for home purchase, refinancing and loans for multi-family housing. It does not include loans for home improvement purposes that are not secured by a dwelling.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Income Level: Income level means:

- 1) Low-income – an individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a census tract;
- 2) Moderate-income – an individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent in the case of a census tract;

- 3) Middle-income – an individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent in the case of a census tract; and
- 4) Upper-income – an individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent in the case of a census tract.

Additional Guidance: .12(m) Income Level: The median family income levels (MFI) for census tracts are calculated using the income data from the United States Census Bureau's American Community Survey and geographic definitions from the Office of Management and Budget (OMB) and are updated approximately every five years (.12(m) Income Level).

Limited-purpose bank: This term refers to a bank that offers only a narrow product line such as credit card or motor vehicle loans to a regional or broader market and for which a designation as a limited-purpose bank is in effect, in accordance with section 228.25(b).

Limited review: Performance under the Lending, Investment and Services test is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, amount of investments and branch office distribution).

Loan location: Under this definition, a loan is located as follows:

- 1) Consumer loan is located in the census tract where the borrower resides;
- 2) Home mortgage loan is located in the census tract where the property to which the loan relates is located;
- 3) Small business and small farm loan is located in the census tract where the main business facility or farm is located or where the loan proceeds have been applied as indicated by the borrower.

Loan product office (LPO): This term refers to a staffed facility, other than a branch, that is open to the public and that provides lending-related services, such as loan information and applications.

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development (HUD) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area: A metropolitan statistical area (MSA) or a metropolitan division (MD) as

defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a single core population of at least 2.5 million may be divided into MDs. A metropolitan statistical area that crosses into two or more bordering states is called a multistate metropolitan statistical area.

Multifamily: Refers to a residential structure that contains five or more units.

Nonmetropolitan area: This term refers to any area that is not located in a metropolitan statistical area or metropolitan division. Micropolitan statistical areas are included in the definition of a nonmetropolitan area; a micropolitan statistical area has an urban core population of at least 10,000 but less than 50,000.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: This term refers to any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: This term refers to a state or multistate metropolitan area. For institutions with domestic branch offices in one state only, the institution's CRA rating is the state's rating. If the institution maintains domestic branch offices in more than one state, the institution will receive a rating for each state in which those branch offices are located. If the institution maintains domestic branch offices in at least two states in a multistate metropolitan statistical area, the institution will receive a rating for the multistate metropolitan area.

Small Bank: This term refers to a bank that as of December 31 of either of the prior two calendar years, had assets of less than \$1.252 billion. Intermediate small bank means a small bank with assets of at least \$313 million as of December 31 of both of the prior two calendar years and less than \$1.252 billion as of December 31 of either of the prior two calendar years.

Annual Adjustment: The dollar figures in paragraph (u)(1) of this section shall be adjusted annually and published by the Board, based on the year-to-year change in the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers, not seasonally adjusted, for each 12-month period ending in November, with rounding to the nearest million.

Small Business Loan: This term refers to a loan that is included in "loans to small businesses" as defined in the instructions for preparation of the Consolidated Report of Condition and Income. The loans have original amounts of \$1 million or less and are either secured nonfarm, nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: This term refers to a loan that is included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income. These loans have original amounts of \$500 thousand or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Wholesale Bank: This term refers to a bank that is not in the business of extending home mortgage, small business, small farm or consumer loans to retail customers, and for which a designation as a wholesale bank is in effect, in accordance with section 228.25(b).